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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

ROBERT "BOB" BURNS - Chairman
 BOYD DUNN
 SANDRA D. KENNEDY
 JUSTIN OLSON
 LEA MÁRQUEZ PETERSON

JUN 13 2019

DOCKETED BY

In the matter of)

JG ENTERPRISE, LLC, an Arizona limited)
liability company,)FOX FIRST SERVICES, LLC, a Nevada)
limited liability company,)

JENNIFER JEAN GUTSCHKE,)

CARLTON LAMONT FOX and SOY MORA)
(a.k.a SOY FOX), husband and wife,)

Respondents.)

DOCKET NO. S -21059A-18-0345

77254

DECISION NO. _____

**ORDER TO CEASE AND DESIST, ORDER
 FOR RESTITUTION, ORDER FOR
 ADMINISTRATIVE PENALTIES AND
 CONSENT TO SAME
 BY: FOX FIRST SERVICES, LLC and
 CARLTON LAMONT FOX and SOY MORA**

Respondents Carlton Lamont Fox and Fox First Services, LLC ("Respondents") elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order to Cease and Desist, Order for Restitution, Order for Administrative Penalties, and Consent to Same ("Order"). Respondents admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

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I.

FINDINGS OF FACT

The Parties

1. Fox First Services, LLC ("Fox First") was formed in Nevada as a limited liability company, but its current status is "dissolved". Fox First has been operating a business from the state of Arizona. Fox First has a bank account in Arizona.

2. Fox First has not applied to the Commission to do business as a foreign business entity in Arizona and therefore is not authorized to do any business in Arizona. Fox First has not been registered by the Commission as a securities salesman or dealer, and none of the Fox First's securities have been registered by the Commission.

3. Carlton Lamont Fox ("Fox") is the managing member of Fox First and resides in the state of Arizona.

4. Fox is married to Soy Mora ("Respondent Spouse"). Respondent Spouse is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

The Sale of Securities

5. Since December of 2017 through at least April of 2018 Respondents financially participated in the unlawful sale of securities, by receiving money as a result of the sale of securities. At least seventeen (17) investors from at least fourteen (14) different states invested over \$229,070.

6. Investors were initially contacted by individuals who offered and sold investment opportunities, and claimed to be affiliated with or worked for Vanguard Merchants or Vanguard Merchant Services, First Merchant Network ("First Merchant"), a Nevada based entity, First Data, First Data Solutions, First Data Financial, and Fox First. The individuals who initially contacted the investors are hereby collectively referred to as "Telemarketers".

7. Each investor was assigned a campaign manager who would contact them periodically and update them about their Investment ("Campaign Manager").

1 8. Telemarketers and Campaign Managers used names of companies that were well-
2 known or recognizable, but in fact they did not work for or were affiliated with those companies.

3 9. Telemarketers made the following statements to investors: (1) the money invested
4 would go towards the purchase of leads for prospective businesses ("Leads List") that were interested
5 in or needed card reader terminals; (2) some of the investors were told that the money invested would
6 go directly towards the purchase of card reader terminals, which then would be sold to interested
7 businesses; (3) the investors would receive a fixed amount per terminal installation; (4) the investors
8 would receive a percentage of all processing fees for all transactions conducted at each installed
9 terminal; (5) and the investors would receive an additional percentage of all cash advances distributed
10 at the terminal (collectively the "Investment").

11 10. During the telephone call, Telemarketers represented to the investors different returns
12 on their Investment.

13 a) Almost all of the investors were promised one to five percent (1-5%) for every
14 transaction conducted on the card reader terminals, and two to five percent (2-5%) on the cash
15 advances.

16 b) Each investor was assigned a Campaign Manager.

17 c) Almost all the investors were promised that they would receive their initial Investment
18 back within ninety (90) to hundred eighty (180) days.

19 11. After explaining to the investors the Investment, the Telemarketers promised a return
20 of their initial Investment within ninety (90) or one hundred eighty (180) days, along with a monthly
21 percentage generated from the usage of the card reader terminals. Further, the Telemarketers
22 promised investors that they would receive a fixed amount per terminal installed at a business, a
23 percentage of all processing fees for all transactions conducted on each terminal, and an additional
24 percentage of all the cash advances.

25 12. At least some of the Telemarketers and Campaign Managers were located in Arizona
26 at the time of the unlawful offers and sales of securities.

1 13. In all of these instances, once the investors invested with the above companies, the
2 money was wired to bank accounts owned by Fox First ("Bank Accounts").

3 14. Some of the investors received a "Letter of Intent" from Vanguard Merchants or First
4 Merchant briefly outlining their Investment and confirming what they were promised during the
5 telephonic sales call.

6 15. The investors received the Letter of Intent either before or on the day of their
7 investment.

8 16. While the Letter of Intent refers to the investors as "Referral Agents", the investors
9 were specifically told that no work was required from them beyond their initial Investment. One
10 investor who received a Leads List, after repeatedly requesting to be provided with one, was told by
11 the Campaign Manager not to contact any of the businesses on the Leads List "because it would
12 screw up their efforts" in finalizing the contracts with the businesses. None of the investors received
13 any training to be a referral agent. Most of the investors were not provided a Leads List, and none of
14 the investors were told to contact any businesses on the Leads List.

15 **Fox First and Fox's Involvement in the Sale of Securities**

16 17. At a football party in the fall of 2017, Mr. Fox met through another friend an
17 individual named "Jaime." After he ran into her again later at a coffee shop, she asked him about
18 becoming involved in a business opportunity related to "marketing."

19 18. Fox opened one of the Bank Accounts with Bank of America, in Arizona, on
20 December 1, 2017, on behalf of Fox First. His job title was listed as a member of the LLC on the
21 bank account records. Fox is the only authorized signatory on the account. On December 6, 2017,
22 Fox opened another bank account, in Arizona, on behalf of Fox First with BBVA Compass. On the
23 bank records, his title was listed as a member of the LLC and Fox is the only authorized signatory on
24 the account.

19. Fox withdrew most of the investor's monies from the Bank Accounts in cash, often on the same day of the deposit, or within a week thereafter, and then Fox paid Telemarketers and/or Campaign Managers with cashier's checks.

20. Fox paid himself \$100 to \$300 every time he withdrew money from the Bank Accounts at least from the end of beginning of December of 2017 through October of 2018. The payments that Fox received came from Fox First's Bank Accounts. The payments received by Fox were approximately \$15,200.

21. None of the investors received a return based on the successful completion of the Investment or during the promised period of time.

22. Only two of the investors received money from Respondents in the form of refund. One investor received a cashier's check, dated July 24, 2018, for \$500. The other investor received a cashier's check, dated August 20, 2018, for the same amount. Both cashier's checks were issued by Fox First.

23. Both of the investors received the cashier's checks well after the promised ninety (90) days' time period. Additionally, the checks were mailed without an explanation and without a return address.

24. All of the known investors reported that they did not have investment experience and/or do not qualify as accredited investors.

25. Except for the current Investment, investors had no knowledge of or any prior dealings with Fox First or any of the companies that contacted them regarding the Investment opportunities.

26. The Investment has not been registered for sale as securities in Arizona.

27. Fox is not registered to offer or sell securities in the state of Arizona.

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. Respondents participated in the offer or sale of securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(16), 44-1801(22), 44-1801(27) and 44-2003(A).

3. Respondents violated A.R.S. § 44-1841 by participating in the offer or sale of securities that were neither registered nor exempt from registration.

4. Respondents violated A.R.S. § 44-1842 by participating in the offer or sale of securities while neither registered as a dealer or salesman nor exempt from registration.

5. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

6. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

7. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-2036.

8. Respondents acted for the benefit of the marital community and, pursuant to A.R.S. §§ 25-214 and 25-215, this order of restitution and administrative penalties is a debt of the community.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of Respondents agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondent Fox, individually, and the marital community of Respondent Fox and Respondent Spouse, jointly and

1 severally shall, jointly and severally with Respondent Fox First, pay restitution to the Commission
2 in the principal amount of \$15,200 to correct the conditions resulting from violations set forth in the
3 Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment
4 shall be made to the "State of Arizona" to be placed in an interest-bearing account controlled by the
5 Commission.

6 IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will
7 accrue interest, as of the date of the Order, at the rate of the lesser of (i) ten percent per annum or (ii)
8 at a rate per annum that is equal to one per cent plus the prime rate as published by the board of
9 governors of the federal reserve system in statistical release H. 15 or any publication that may
10 supersede it on the date that the judgment is entered.

11 The Commission shall disburse the funds on a pro-rata basis to investors shown on the records
12 of the Commission. Any restitution funds that the Commission cannot disburse because an investor
13 refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor
14 because the investor is deceased shall be disbursed on a pro-rata basis to the remaining investors
15 shown on the records of the Commission. Any funds that the Commission determines it is unable to
16 or cannot feasibly disburse shall be transferred to the general fund of the state of Arizona.

17 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondent Fox,
18 individually, and the marital community of Respondent Fox and Respondent Spouse, jointly and
19 severally shall, jointly and severally with Respondent Fox First, pay an administrative penalty in the
20 amount of \$5,000 as a result of the conduct set forth in the Findings of Fact and Conclusions of Law.
21 Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona."
22 Any amount outstanding shall accrue interest as allowed by law.

23 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
24 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
25 shall be applied to the penalty obligation.
26

1 For purposes of this Order, a bankruptcy filing by a Respondent shall be an act of default. If
2 a Respondent does not comply with this Order, any outstanding balance may be deemed in default
3 and shall be immediately due and payable.

4 IT IS FURTHER ORDERED, that if Respondents fail to comply with this order, the
5 Commission may bring further legal proceedings against Respondent, including application to the
6 superior court for an order of contempt.

7 IT IS FURTHER ORDERED, that no finding of fact or conclusion of law contained in this
8 Order shall be deemed binding against any Respondent under this Docket Number who has not
9 consented to the entry of this Order.

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IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN BURNS

COMMISSIONER DUNN

COMMISSIONER KENNEDY

COMMISSIONER OLSON

COMMISSIONER MARQUEZ PETERSON



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT,
Executive Director of the Arizona Corporation Commission,
have hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of Phoenix,
this 13 day of June, 2019.

MJN
MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator,
voice phone number (602) 542-3931, e-mail kcannon@azcc.gov.

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CONSENT TO ENTRY OF ORDER

1. Respondents Fox and Fox First admit the jurisdiction of the Commission over the subject matter of this proceeding. Respondents acknowledge that Respondents have been fully advised of Respondents' right to a hearing to present evidence and call witnesses and Respondents knowingly and voluntarily waive any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondents acknowledge that this Order constitutes a valid final order of the Commission.

2. Respondents knowingly and voluntarily waive any right under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

3. Respondents acknowledge and agree that this Order is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

4. Respondents and Respondent Spouse have been represented by an attorney in this matter, Respondents and Respondent Spouse have reviewed this order with their attorney, Ashley Adams, and understand all terms it contains. Respondents and Respondent Spouse acknowledge that their attorney has apprised them of their rights regarding any conflicts of interest arising from dual representation. Respondents and Respondent Spouse acknowledge that they have each given their informed consent to such representation.

5. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order. Respondents agree that Respondents shall not contest the validity of the Findings of Fact and Conclusions of Law contained in this Order in any present or future proceeding in which the Commission is a party.

6. The Respondents further agree that they shall not deny or contest the Findings of Fact and Conclusions of Law contained in this Order in any present or future: (a) bankruptcy proceeding, or (b) non-criminal proceeding in which the Commission is a party (collectively, "proceeding(s)").

1 They further agree that in any such proceedings, the Findings of Fact and Conclusions of Law
2 contained in this Order may be taken as true and correct and that this Order shall collaterally estop
3 them from re-litigating with the Commission or any other state agency, in any forum, the accuracy
4 of the Findings of Fact and Conclusions of Law contained in this Order. In the event the Respondents
5 or Respondent Spouse pursue bankruptcy protection in the future, they further agree that in such
6 bankruptcy proceeding, pursuant to 11 U.S.C. § 523(a)(19), the following circumstances exist:

7 A. The obligations incurred as a result of this Order are a result of the conduct set forth
8 in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona
9 state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);

10 B. This Order constitutes a judgment, order, consent order, or decree entered in a state
11 proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by
12 Respondents and Respondent Spouse pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court order for
13 damages, fine, penalty, citation, restitution payment, disgorgement payment, attorney fee, cost or
14 other payment owed by Respondents and Respondent Spouse pursuant to 11 U.S.C. §
15 523(a)(19)(B)(iii).

16 7. By consenting to the entry of this Order, Respondents agree not to take any action or
17 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
18 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
19 basis.

20 8. While this Order settles this administrative matter between Respondents and the
21 Commission, Respondents understand that this Order does not preclude the Commission from
22 instituting other administrative or civil proceedings based on violations that are not addressed by this
23 Order.

24 9. Respondents understand that this Order does not preclude the Commission from
25 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
26 that may be related to the matters addressed by this Order.

1 10. Respondents understand that this Order does not preclude any other agency or officer
2 of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal
3 proceedings that may be related to matters addressed by this Order.

4 11. Respondents agree that Respondents will not apply to the state of Arizona for
5 registration as a securities dealer or salesman or for licensure as an investment adviser or investment
6 adviser representative until such time as all restitution and penalties under this Order are paid in full.

7 12. Respondents agree that they will not exercise any control over any entity that offers
8 or sells securities or provides investment advisory services within or from Arizona until such time as
9 all restitution and penalties under this Order are paid in full.

10 13. Respondents agree that they will continue to cooperate with the Securities Division
11 including, but not limited to, providing complete and accurate testimony at any hearing in this matter
12 and cooperating with the state of Arizona and the United States of America in any related
13 investigation or any other matters arising from the activities described in this Order.

14 14. Respondents and Respondent Spouse acknowledge that any restitution or penalties
15 imposed by this Order are obligations of the Respondents as well as the marital community.

16 15. Respondents consent to the entry of this Order and agree to be fully bound by its terms
17 and conditions.

18 16. Respondents acknowledge and understand that if Respondents fail to comply with the
19 provisions of the order and this consent, the Commission may bring further legal proceedings against
20 Respondents, including application to the superior court for an order of contempt.

21 17. Respondents understand that default shall render Respondents liable to the
22 Commission for its costs of collection, including reasonable attorneys' fees and interest at the
23 maximum legal rate.

24 18. Respondents agree and understand that if Respondents fail to make any payment as
25 required in the Order, any outstanding balance shall be in default and shall be immediately due and
26

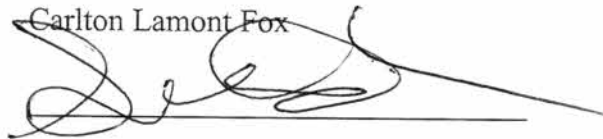
1 payable without notice or demand. Respondents agree and understand that acceptance of any partial
2 or late payment by the Commission is not a waiver of default by the Commission.

3 19. Fox is a member of Fox First and has been authorized by Fox First to enter into this
4 Order for and on behalf of it.

5
6 **Signature for Respondents**

7 

8 Carlton Lamont Fox

9 

10 Soy Mora

11 STATE OF ARIZONA)
12) ss
13 County of)

14 SUBSCRIBED AND SWORN TO BEFORE me this 30th day of April,
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NOTARY PUBLIC

17 My commission expires:

18 7.16.20
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Fox First Services, LLC

By



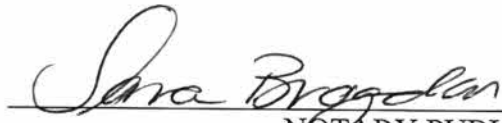
Its Member

STATE OF ARIZONA)

County of)

ss

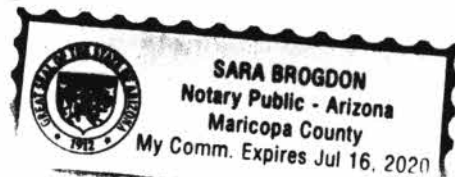
SUBSCRIBED AND SWORN TO BEFORE me this 30th day of April.



NOTARY PUBLIC

My commission expires:

7.16.20



SERVICE LIST FOR: JG Enterprise, LLC, et al.

Ashley Adams

Ashley D. Adams, PLC

7502 E Monterey Way, Scottsdale, AZ 85251

Attorney for Respondents Carlton L. Fox, Soy S. Mora, and Fox Services LLC

Todd Schultz

7600 N. 15th St, Ste 150, Phoenix, AZ 85020

Attorney for Respondents Jennifer Jean Gutschke, and JG Enterprise, LLC

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 ROBERT "BOB" BURNS – Chairman
4 ANDY TOBIN
5 BOYD DUNN
6 SANDRA D. KENNEDY
7 JUSTIN OLSON

8 In the matter of)

9 JG ENTERPRISE, LLC, an Arizona limited)
10 liability company,)

11 FOX FIRST SERVICES, LLC, a Nevada limited)
12 liability company,)

13 JENNIFER JEAN GUTSCHKE,)

14 CARLTON LAMONT FOX and SOY MORA)
15 (a.k.a. SOY FOX), husband and wife,)

16 Respondents.)

DOCKET NO. S -21059A-18-0345

DECISION NO. 77254

**CERTIFICATION OF SERVICE OF
PROPOSED OPEN MEETING AGENDA
ITEM**

17 On this 48 day of May, 2019, the foregoing document was filed with Docket Control as a
18 Securities Division Memorandum & Proposed Order, and copies of the foregoing were mailed on
19 behalf of the Securities Division to the following who have not consented to email service. On this
20 date or as soon as possible thereafter, the Commission's eDocket program will automatically email
21 a link to the foregoing to the following who have consented to email service.

22 Ashley Adams
23 Ashley D. Adams, PLC
24 7502 E Monterey Way, Scottsdale, AZ 85251
25 Attorney for Respondents Carlton L. Fox, Jane Doe Fox, and Fox Services, LLC

26 Consented to Service by Email

By: Emie R. Bridges
Emie R. Bridges, Executive Assistant